

Notice No.: 03-004

Date: September 26, 2003

Applies to: All Employers

Subject: Retiree Return To Work
Information

Summary

Substitute House Bill 1829 affects Public Employees' Retirement System (PERS) Plan 1 retirees and employers. This bill, which went into effect on July 27, 2003, changes the number of hours Public Employees' Retirement System (PERS) Plan 1 retirees can work after retirement before their pension is suspended and places additional responsibilities on employers hiring retirees. The bill does not change any of the rules for retirees of other systems and plans.

PERS members who retired prior to August 1, 2003, can continue to work in an eligible position up to 1,500 hours per calendar year without affecting the benefit, provided the retiree waited at least one calendar month before returning to work.

For members who retire on or after August 1, 2003, and wait at least 30 calendar days before returning to work, the legislation allows employment in an eligible position for up to 867 hours per calendar year before their pension is suspended. If a retiree waits at least 90 calendar days before returning to work, the legislation allows employment in an eligible position for up to 1,500 hours without suspension of their benefit provided the employer:

- Documents a justifiable need to hire a retiree,
- Keeps a record of the hiring process, and
- Uses their established hiring process with approval by the appropriate level of authority.

The bill also creates a maximum limit on the number of hours a retiree can work and still receive a pension. This new maximum limit applies retroactively to all PERS Plan 1 retirees. Any hours worked over 867 and less than 1,500 in a calendar year while receiving a pension count toward a limit of 1,900 hours. Once the 1,900-hour limit is reached, the benefit is suspended and a retiree can work up to 867 hours in subsequent calendar years. For more information, please refer to the link:

<http://www.drs.wa.gov/member/1829faq.htm> on the DRS Web site. *[This information was updated 11/2003 in the PERS publication entitled, "[Thinking About Working After Retirement? For members of the Public Employees Retirement System.](#)"]*

Separation From Service

The bill changes the definition of "separation from service" to specify that a retiree cannot have a verbal or written agreement to resume employment with the same employer following termination. Refer to RCW 41.40.010 (42) for the exact language.

Hiring Process

When hiring PERS Plan 1 members who retired after August 1, 2003 employers need to be aware how specific rules can affect the retiree's pension. The hiring process of your organization and how long the individual has been retired does affect how many hours they can work in a calendar year before their pension is suspended. In order to work up to 1,500 hours in a calendar year:

- The retiree must wait at least 90 calendar days after the effective retirement date before returning to work, and;
- The employer must document a justifiable need to hire a retiree, keep a record of the hiring process, and use their established hiring process with approval by the appropriate level of authority. Refer to RCW 41.40.037 (2)(b).

Communication on Hourly Limits

To manage the yearly hourly limits (867 or 1,500), DRS will communicate with both retirees and employers. When retirees approach the 867 hour limit for the calendar year, DRS will send them a letter to let them know their pension will be suspended unless they;

- Terminate employment prior to reaching the 867 hour limit, or
- They qualify to work up to 1,500 hours under the rules described above.

At the same time, employers will be sent an email when a retiree is approaching the limit to ask for confirmation of whether the hiring requirements above were met to allow the retiree to work up to 1,500 hours, or to verify the date the retiree will exceed the hourly limit, if applicable.

In addition, DRS will provide information to PERS Plan 1 retirees each March to inform them of the cumulative hours worked that have been applied towards their 1,900 hour limit. Employers will be sent a copy of this information so they can coordinate with their affected employees.

Reporting a New Employee

When you hire any new employee, you must ask them if they ever retired from one of the Washington State Retirement Systems. If they say yes, then you must report them to DRS with a begin date and the appropriate type code along with their compensation and hours worked. Refer to <http://www.drs.wa.gov/employer/drsn/drsn2001/01007.htm> for additional details.

Unemployment Insurance Benefits

Public employers may be liable for unemployment insurance (UI) benefits paid to retirees. This could occur if the retiree returns to work and is later laid off due to a lack of work. State UI laws require that pensions be deducted from UI benefits, but in some situations, the pension may not be

deductible.

SHB 1829 requires DRS and ESD to inform public employers about the potential of paying UI benefits to retirees. These payments could result in a significant budget impact to your organization. Questions regarding UI benefits should be directed to Employment Security Tax Administration at (360) 902-9686 or visit their Web site at <http://www.wa.gov/esd/tax/index.htm>.

Questions?

If you have any questions regarding this DRS Notice, please contact Employer Support Services at (360) 664-7200 or 1-800-547-6657, or email us at DRSEmployer@drs.wa.gov.

This Notice can be accessed on the DRS Web site at <http://www.drs.wa.gov/employer>.

Dave Nelsen
Assistant Director

2003 DRS Notices

For a copy of a Notice, call (360) 664-7169 or 1-800-547-6657, or
access on the DRS Web site at <http://www.drs.wa.gov/employer>.

Notice No.	Applies to/ Subject Matter
03-001	All Employers Contribution Rate Changes
03-002	SERS Employers Rate Update
03-003	All Employers Summary of 2003 Legislation
03-004	All Employers SHB 1829 – Plan 1 Retirees